Translation

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Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (Based on Japanese GAAP)

May 8, 2018

Company name:	JAPAN ASIA GROUP LIMITED		
Stock exchange listing:	Tokyo Stock Exchange	URL: http://www.japanasiagroup.jp/english/	
Stock code:	3751		
Representative:	Tetsuo Yamashita	Chairman and CEO	
Inquiries:	Kazunobu Watanabe	Director	TEL: +81-3-4476-8000

Scheduled date of ordinary general meeting of shareholders: June 26, 2018
Scheduled date to commence dividend payments: June 27, 2018
Scheduled date to file Securities Report: June 26, 2018
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(1) Consolidated operating results (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ended March 31, 2018	73,318	7.3	3,153	15.1	1,426	(10.4)	1,448	(18.6)
Fiscal Year ended March 31, 2017	68,341	(9.5)	2,740	(29.5)	1,592	(37.9)	1,778	331.8

(Note) Comprehensive income Fiscal year ended March 31, 2018 ¥1,679 million (22.4%)
Fiscal year ended March 31, 2017 ¥1,372 million (–%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
Fiscal Year ended March 31, 2018	54.12	–	5.2	1.0	4.3
Fiscal Year ended March 31, 2017	65.87	–	6.6	1.3	4.0

(Reference) Share of profit of entities accounted for using equity method:
Fiscal year ended March 31, 2018: ¥15 million Fiscal year ended March 31, 2017: ¥42 million

(Note) Diluted earnings per share for the fiscal years ended March 31, 2017 and March 31, 2018 are not shown because there were no potential shares that have dilutive effects.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	155,121	31,660	18.1	1,046.81
As of March 31, 2017	127,522	29,555	21.4	1,020.10

(Reference) Equity: As of March 31, 2018: ¥28,016 million As of March 31, 2017: ¥27,303 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year ended March 31, 2018	853	(25,614)	19,657	17,449
Fiscal Year ended March 31, 2017	(1,906)	(8,431)	13,154	22,537

2. Dividends

	Annual dividends					Total dividend payments	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year ended March 31, 2017	–	0.00	–	20.00	20.00	535	30.4	2.0
Fiscal Year ended March 31, 2018	–	0.00	–	10.00	10.00	267	18.5	1.0
Fiscal Year ending March 31, 2019 (Forecast)	–	0.00	–	10.00	10.00		19.1	

(Note) ¥20 dividend for the year ended March 31, 2017 includes a special dividend of ¥10.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit	
	Millions of yen	%	Millions of yen	%
Full year	110,000	50.0	3,200	1.5

*Notes

(1) Changes in significant subsidiaries during the fiscal year ended March 31, 2018
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
Excluded companies: 1 (VRE Investment Singapore 1 Pte. Ltd)

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

1) Changes in accounting policies due to revisions to accounting standards and other regulations: No
2) Changes in accounting policies due to other reasons: No
3) Changes in accounting estimates: No
4) Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

1) Total number of issued shares at the end of the fiscal year (including treasury shares)

As of March 31, 2018	27,652,880 shares	As of March 31, 2017	27,652,880 shares

2) Number of treasury shares at the end of the fiscal year

As of March 31, 2018	888,875 shares	As of March 31, 2017	887,805 shares

3) Average number of shares during the fiscal year

Fiscal Year ended March 31, 2018	26,764,606 shares	Fiscal Year ended March 31, 2017	27,004,900 shares

(Reference) Summary of non-consolidated results

1. Non-consolidated financial results for the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ended March 31, 2018	4,750	0.4	2,077	(21.8)	1,842	(17.5)	2,055	(60.2)
Fiscal Year ended March 31, 2017	4,729	112.7	2,656	221.6	2,234	–	5,161	(72.3)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal Year ended March 31, 2018	76.80	–
Fiscal Year ended March 31, 2017	191.13	–

(Note) Diluted earnings per share for the fiscal years ended March 31, 2017 and March 31, 2018 are not shown because there were no potential shares that have dilutive effects.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	57,138	26,641	46.6	995.13
As of March 31, 2017	51,573	25,032	48.5	934.96

(Reference) Equity: As of March 31, 2018: ¥26,633 million As of March 31, 2017: ¥25,024 million

*This financial report is outside the scope of audits conducted by certified public accountants or an audit corporation.

*Statement regarding appropriate use of forward-looking statements and other notes

(Cautionary statement regarding forward-looking statements)

The forecasts of consolidated financial results and other forward-looking statements contained in this document are based on information currently available to the Company and on certain assumptions that management deems reasonable. Actual business performance may differ materially from those forecasts due to various factors. For details of assumptions supporting the forecasts and other related items, please refer to “(4) Future Outlook” under “1. Overview of Operating Results” on page 5 of the supplementary materials.

(Method for acquiring supplementary materials)

The Company has scheduled a results briefing for securities analysts on May 18 (Friday), 2018. The Company plans to upload materials distributed at the meeting to its website as soon as possible after the end of the meeting.

Contents of Supplementary Materials

1. Overview of Operating Results

(1) Overview of the Operating Performance for the Fiscal Year Ended March 31, 2018

The Japan Asia Group ("the Group") has positioned the period up to fiscal 2020 as a "stage for cultivating DNA for growth" based on the formulation of management strategies targeting fiscal 2020. From that point onward, the Group's policy is to transform into a corporate Group able to achieve sustainable growth without being greatly affected by economic trends (continuing to provide differentiated, "outstanding" services and products at a reasonable price).
Under this policy, the Group has prioritized the solidification of a foundation toward fiscal 2020 and beyond to channel management resources into three important management strategies (Geospatial × ICT, climate change countermeasures, and urban development) and realized sustainable growth while advancing the restructure of the business portfolio to be better suited to the future business environment. The Group has striven to establish a competitive advantage and realize outstanding products and services for the next generation in research and development, capital business alliances, and business development in addition to spearheading reforms within the Group.
As a result, the green energy business (power generation business), which is a product of upfront investments following business development and Group reforms, is in favorable condition and the operating profit has grown. However, the ordinary profit suffered losses due to the costs of launching new businesses and financial costs following investments in developing new solar power generation.
Regarding the performance of the Group in the fiscal year (April 1, 2017 to March 31, 2018), consolidated sales were up 7.3% year on year from ¥68,341 million in the previous fiscal year to ¥73,318 million, operating profit was ¥3,153 million (from ¥2,740 million), and ordinary profit was ¥1,426 million (from ¥1,592 million). Profit attributable to owners of parent was ¥1,448 million (from ¥1,778 million).

Operating performance at each business segment is as follows. Note that the reportable business classification was revised from the fiscal year ended March 31, 2018. Analysis of operating results for this fiscal year and year-on-year comparisons are based on the new classification.

< Geospatial information business >
We will continue to enhance the segment's core geospatial information technologies (measurement, analysis and evaluation tools) centered upon Kokusai Kogyo Co., Ltd., expanding our business development that leverages the unique strengths of our customer base in Japan and overseas by responding to not only the demand from government agencies but also the private-sector. The Group is providing services for a range of business scenarios, including the i-Construction-related business promoted by the Ministry of Land, Infrastructure, Transport and Tourism, development of services predicated on market expansion using the 3D geospatial analysis cloud system (KKC-3D) as the platform, and services using indoor and outdoor locational information.

In this segment, in the environment where measures for disaster prevention/reduction, countermeasures for deteriorating social infrastructure, and utilization of PPP/PFI are set out as important national measures, the Group has continued to work to cultivate new customers among national, prefectural and municipal governments as well as private enterprises while improving the production and operation rate by staying ahead of order schedules. The Group has also endeavored to create more sophisticated services while developing new products that include business alliances.
As a result, through contributions to consolidated financial results from Meiji Consultant Co., Ltd. and an increase in upfront investment capital that began with new business development, etc., orders received by the geospatial information business totaled ¥46,738 million, up 3.9% year on year (from ¥44,990 million in the previous fiscal year). Net sales were ¥48,040 million, up 9.4% year on year (from ¥43,907 million in the previous year). Business income was ¥498 million, down 58.8% year-on-year from ¥1,209 million in the previous fiscal year.

< Green energy business >
The Group focuses on the power generation business, which sells electricity from the Group's solar power plants using the feed-in tariff system, and the consignment business, which plans, develops, and operates solar power plants, to provide natural energy, real estate leasing, asset management, property management, project management, and real estate solutions, mainly through JAG Energy Co., Ltd., a core company of this business. In addition, KHC Ltd. is engaged in the detached housing business.
In the power generation business, new solar power plants started operations at Natori-shi, Miyagi Prefecture (26.3 MW), Yubetsu-cho in Monbetsu District, Hokkaido Prefecture (1.9 MW), Saroma-cho in Tokoro District, Hokkaido (1.4 MW), Asahikawa City, Hokkaido (0.4 MW), bringing the total number of power plants currently online to 65 for a combined output capacity of more than 155.4 MW, as the Group made further progress towards stabilizing its earnings. The consignment business has striven to clearly build orders even with concerns about delays in investigating connections and certifying

business plans as well as enhanced output adjustments. In the detached housing business, the Group made progress on delivering on orders for custom-built houses and condominiums.
In addition to these activities, due to an increase in electricity output of solar power plants, the contribution to the Group's business performance by Profield Co., Ltd. (currently JAG Field Co., Ltd.), in which the Group made equity participation, and a partial consolidation resulting from an increase in the ratio of equity ownership held by SPC, orders received by the green energy business totaled ¥18,991 million, up 36.9% year on year (from ¥13,872 million in the previous fiscal year). Net sales were ¥24,596 million, up 40.4% year on year (from ¥17,520 million in the previous year). Business income was ¥2,961 million, up 95.9% year-on-year from ¥1,512 million in the previous fiscal year.

< Other businesses >
Following the contraction of the financial service business segment due to transfer of the securities business, the forestry revitalization business, which began as new businesses to nurture, and the Japan Asia Asset Management Co., Ltd. that concentrates on investment advisory services, etc. are combined into the other businesses segment from this fiscal year.
In the forestry revitalization business, the Group has worked to turn the forestry industry and wood-related industry into a growth industry through the use of geospatial information technologies and the generation of new demand for forest resources. In addition, this venture has taken shape by forging capital alliances in value chain of the forest industry that began with the supply of raw wood as well as entering into a partnership agreement with Higashimiyoshi Town in Tokushima Prefecture for the purpose of vitalizing the regional economy and creating jobs.
The Group has advanced these activities, but deteriorating earnings due to the contraction of the securities business have had a large impact. The net sales were ¥680 million, down 90.2% year on year (from ¥6,914 million). The business loss was ¥306 million, a loss of ¥501 million (the business income has ¥194 million the previous fiscal year).

(2) Overview of the Financial Position for the Fiscal Year Ended March 31, 2018

As of March 31, 2018, consolidated total assets was ¥155,121 million, up ¥27,599 million from the end of the previous fiscal year. Current assets totaled ¥72,025 million, down ¥4,001 million. This was primarily due to a ¥4,985 million decrease in cash and deposits while notes and accounts receivable - trade increased ¥1,435 million. Non-current assets totaled ¥81,100, up ¥30,314 million. This was primarily due to a ¥25,962 million increase in property, plant and equipment due to the construction of solar power plants and acquisition of rental real estate in addition to a ¥1,564 million increase in goodwill due to acquisitions such as subsidiaries following changes in the scope of consolidation. Deferred assets rose ¥1,286 million from the end of the previous fiscal year, primarily due to an increase in deferred assets related to the development of solar power plants.

Liabilities totaled ¥123,461 million, up ¥25,494 million from the end of the previous fiscal year. This was primarily due to a ¥25,263 million increase in interest-bearing debt (including lease obligations) due to the construction of solar power plants and procurement of acquisition capital for rental real estate in addition to a ¥1,089 million increase in accounts payable due to the construction costs of solar power generation plants. However, this can be attributed to a ¥1,390 million decrease in accounts payable – trade among other things.

While the payment of dividends was ¥535 million, net assets totaled ¥31,660 million, up ¥2,104 from the previous fiscal year, due to an increase in retained earnings to ¥853 million due to a total of ¥1,448 million in profit for this fiscal year attributable to owners of the parent in addition to an increase of ¥1,391 million in non-controlling interests.

(3) Overview of Cash Flows for the Fiscal Year Ended March 31, 2018

As of March 31, 2018, cash and cash equivalents totaled ¥17,449 million, down ¥5,087 million from the end of the previous fiscal year.

(Cash flows from operating activities)

Operating activities provided net cash of ¥853 million, up ¥2,759 million from a negative cash flow of ¥1,906 million in the previous fiscal year. The main items were profit before income taxes of ¥2,684 million (drop in cash provided of ¥146 million year on year), depreciation of ¥2,831 million (rise in cash provided of ¥801 million year on year), increase in notes and accounts receivable – trade of ¥1,187 million (drop in cash provided of ¥92 million year on year), decrease in inventories of ¥1,281 million (increase in cash provided of ¥1,653 million year on year), decrease in notes and accounts payable – trade of ¥1,552 million (drop in cash provided of ¥382 million year on year), other operating cash flow of negative ¥1,665 million (drop in cash provided of ¥889 million year on year), and income taxes paid of ¥695 million (rise in cash provided of ¥670 million year on year).

(Cash flows from investing activities)

Investing activities used net cash of ¥25,614 million, compared with net cash used of ¥8,431 million in the previous fiscal year. This is primarily attributed to proceeds of ¥4,734 million from the sale of investment securities, versus cash used of ¥21,744 million for the purchase of properties, plants and equipment due to the construction of solar power plants and other factors, ¥3,719 million due to the acquisition of investment securities and ¥1,725 million for the acquisition of subsidiary shares following changes in the scope of consolidation.

(Cash flows from financing activities)

Financing activities provided net cash of ¥19,657 million, compared with net cash provided of ¥13,154 million in the previous fiscal year. This was primarily attributed to net proceeds of ¥19,987 million from loans and issuance of bonds due to the construction of solar power plants and the procurement of acquisition capital for rental real estate as well as ¥532 million for dividend payments.

(4) Future Outlook

Public investment overall in the business environment around the Group will be equivalent to the previous fiscal year. In this harsh environment surrounded by factors such as a tightening of public funding in budget allocation related to earthquake recovery, businesses that are necessary for society are expected to perform relatively steadily – for example countermeasures for disaster prevention and reduction, countermeasures for aging infrastructure, countermeasures for climate change, and the business environment related to green energy.

Xacti Corporation, which has been acquired as a subsidiary, is forecast to sustain OEM and ODM orders even as the digital camera market shrinks through the rise of smartphones, due to the market needs for multifunctional and higher quality cameras, as well as for next-generation digital devices such as on-board vehicle cameras and drone cameras.

Under these business environment, the Group will establish capital business alliances, develop business, and make reforms within the Group for the purpose of establishing a growth engine toward the 2020 fiscal year and beyond by pioneering the revolution in the quaternary industry (Industry 4.0/Society 5.0) to shape outstanding products and services that concentrate management resources after transitioning from the conventional three business strategies (geospatial × ICT, climate change countermeasures, and urban development) to four important management strategies (geospatial × ICT, disaster prevention, environmental conservation, renewable energy and forest revitalization). These initiatives will work to promote the expansion of business opportunities and improve profitability for all of the Group’s other businesses, including the forest revitalization business that aims to cultivate a third business segment in addition to the core businesses of geospatial information and green energy.

In the geospatial information business segment, the Group will steadily accumulate experience in Japan and overseas in the provision of products and services for a range of business scenarios, including the i-Construction-related business promoted by the Ministry of Land, Infrastructure, Transport and Tourism, a high-precision 3D analysis services business predicated on market expansion as well as indoor and outdoor locational information services.

Moreover, the Group will strive to advance and facilitate greater efficiency in its businesses by developing services around the social infrastructure IoT market, disaster prevention information provider businesses, and sensing businesses, leveraging the synergies amongst the aforementioned Xacti Corporation’s technical capabilities cultivated in digital devices, the Group’s technology in social infrastructure maintenance and management, as well as its nationwide network.

In the green energy business segment, we will work to ensure an appropriate level of solar power plant operation in the power generation business based on the feed-in tariff system, as well as push ahead with the construction of projects on the order book, develop projects nationwide, and acquire interests and existing power plants to secure stable sources of earnings over the medium and long term. In addition, the Group will promote the new power business for the purpose of regional vitalization through the use of energy produced and used locally in addition to full-scale development of other sources of new energy, such as biomass power plants and wind farms, based on the power supply composition from a long-term perspective.

In the detached housing business, we will leverage new emerging areas and expansion of the customer base in addition to our energy-saving and wood engineering technologies to enhance medium and large wooden structures business.

In the other business segments, which emphasize the forest revitalization business that began as a new business to nurture, the Group will work to turn the forestry industry and wood-related industry into a growth industry through the use of geospatial information technologies and the generation of new demand for forest resources and aim to vitalize the regional economy and create jobs. In the next fiscal year, the Group will continue to work to build a value chain from the upstream to the downstream of the forest industry and wood-related industry, including expansion of the foundation for its raw wood supply as well as lumber businesses.

In addition to contributions such as the consolidation of Xacti Corporation and the solar power generation plants that began operation this fiscal year, the Group will expand business opportunities through efforts, such as private, domestic, and overseas business expansion and business development, in the forest revitalization business that aims to become the third business segment in addition to the geospatial information and green energy businesses. Increases in sales profits and operating income are also forecast.

As a result, the consolidated results for the fiscal year ending March 31, 2019 is forecast to have sales of ¥110,000 million (up 50.0% year on year), and an operating income of ¥3,200 million (up 1.5% year on year).

(The above forecasts are based on information currently available to the Company and contain considerable uncertainties. Actual business performance may differ materially from forecasts due to various factors.)

2. Basic Approach to Selection of Accounting Standards

For the time being, the Group intends to use Japanese Generally Accepted Accounting Principles (Japanese GAAP) to prepare its consolidated financial statements in order to facilitate comparison with other financial periods and other companies.
The Group intends to appropriately address the adoption of International Financial Reporting Standards (IFRS) after taking into account the situation in Japan and overseas.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	36,917	31,932
Notes and accounts receivable - trade	28,378	29,814
Merchandise and finished goods	–	78
Work in process	1,023	486
Raw materials and supplies	49	99
Real estate for sale	6,802	6,235
Short-term loans receivable	14	15
Accounts receivable - other	1,117	1,523
Deferred tax assets	409	199
Other	1,378	1,700
Allowance for doubtful accounts	(65)	(60)
Total current assets	76,027	72,025
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,469	11,376
Accumulated depreciation	(5,122)	(5,341)
Accumulated impairment loss	(647)	(622)
Buildings and structures, net	4,699	5,412
Machinery, equipment and vehicles	22,706	38,067
Accumulated depreciation	(3,108)	(5,218)
Accumulated impairment loss	(241)	(240)
Machinery, equipment and vehicles, net	19,356	32,608
Land	8,381	15,694
Leased assets	7,036	11,493
Accumulated depreciation	(1,283)	(2,594)
Leased assets, net	5,752	8,898
Construction in progress	1,851	3,246
Other	1,688	1,814
Accumulated depreciation	(817)	(809)
Accumulated impairment loss	(106)	(98)
Other, net	764	906
Total property, plant and equipment	40,805	66,767
Intangible assets		
Goodwill	255	1,820
Other	353	1,025
Total intangible assets	609	2,845

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Investments and other assets		
Investment securities	4,817	4,199
Investments in other securities of subsidiaries and associates	136	–
Long-term loans receivable	148	124
Lease and guarantee deposits	1,060	1,272
Deferred tax assets	363	699
Other	3,625	5,867
Allowance for doubtful accounts	(781)	(677)
Total investments and other assets	9,370	11,486
Total non-current assets	50,785	81,100
Deferred assets		
Deferred organization expenses	1	0
Business commencement expenses	707	1,994
Total deferred assets	708	1,995
Total assets	127,522	155,121
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,078	4,687
Short-term loans payable	8,185	7,337
Current portion of bonds	11,605	8,977
Current portion of long-term loans payable	6,609	12,350
Lease obligations	537	874
Accounts payable - other	5,878	6,967
Income taxes payable	452	571
Provision for bonuses	774	811
Provision for directors’ bonuses	19	7
Provision for loss on order received	83	125
Provision for shareholder benefit program	–	9
Other	4,715	3,796
Total current liabilities	44,939	46,518
Non-current liabilities		
Bonds payable	4,924	4,245
Long-term loans payable	36,303	56,423
Lease obligations	5,682	8,901
Deferred tax liabilities	519	608
Net defined benefit liability	3,050	3,096
Asset retirement obligations	1,506	2,677
Other	1,040	989
Total non-current liabilities	53,027	76,943
Total liabilities	97,966	123,461

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Net assets		
Shareholders' equity		
Capital stock	3,995	3,995
Capital surplus	0	–
Retained earnings	23,305	24,158
Treasury shares	(354)	(354)
Total shareholders' equity	26,946	27,799
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	568	331
Deferred gains or losses on hedges	(35)	(29)
Foreign currency translation adjustment	(88)	(36)
Remeasurements of defined benefit plans	(87)	(49)
Total accumulated other comprehensive income	356	217
Share acquisition rights	8	7
Non-controlling interests	2,244	3,635
Total net assets	29,555	31,660
Total liabilities and net assets	127,522	155,121

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	68,341	73,318
Cost of sales	46,183	54,079
Gross profit	22,158	19,238
Selling, general and administrative expenses		
Advertising expenses	565	609
Business consignment expenses	365	103
Rent expenses	1,700	1,629
Provision of allowance for doubtful accounts	43	(25)
Salaries and allowances	8,675	6,552
Provision for bonuses	580	430
Provision for directors' bonuses	19	7
Amortization of goodwill	–	134
Other	7,466	6,642
Total selling, general and administrative expenses	19,417	16,085
Operating profit	2,740	3,153
Non-operating income		
Interest income	3	4
Dividend income	69	139
Share of profit of entities accounted for using equity method	42	15
Foreign exchange gains	34	–
Reversal of allowance for doubtful accounts	14	18
Gain on consumption tax	49	14
Other	134	130
Total non-operating income	349	321
Non-operating expenses		
Interest expenses	1,240	1,423
Amortization of business commencement expenses	100	227
Foreign exchange losses	–	6
Provision of allowance for doubtful accounts	–	1
Other	156	390
Total non-operating expenses	1,498	2,048
Ordinary profit	1,592	1,426

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Extraordinary income		
Gain on sales of non-current assets	1	–
Subsidy income	115	–
Gain on sales of investment securities	815	714
Gain on sales of shares of subsidiaries and associates	564	–
Reversal of provision for contingent loss	66	–
Reversal of reserve for financial products transaction liabilities	9	–
Gain on step acquisitions	–	473
Gain on bargain purchase	–	52
Gain on liquidation of subsidiaries	–	38
Total extraordinary income	1,573	1,278
Extraordinary losses		
Impairment loss	24	9
Loss on sales and retirement of non-current assets	64	–
Loss on reduction of non-current assets	115	–
Loss on sales of investment securities	50	10
Settlement package	80	–
Total extraordinary losses	335	20
Profit before income taxes	2,831	2,684
Income taxes - current	895	800
Income taxes - deferred	85	65
Total income taxes	981	865
Profit	1,849	1,818
Profit attributable to non-controlling interests	71	369
Profit attributable to owners of parent	1,778	1,448

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	1,849	1,818
Other comprehensive income		
Valuation difference on available-for-sale securities	(462)	(237)
Deferred gains or losses on hedges	15	6
Foreign currency translation adjustment	(81)	52
Remeasurements of defined benefit plans, net of tax	50	38
Total other comprehensive income	(477)	(139)
Comprehensive income	1,372	1,679
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,300	1,309
Comprehensive income attributable to non-controlling interests	71	369

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,995	1	21,802	(8)	25,790
Changes of items during period					
Dividends of surplus			(276)		(276)
Profit attributable to owners of parent			1,778		1,778
Capital increase of consolidated subsidiaries		(10)			(10)
Purchase of shares of consolidated subsidiaries		9			9
Purchase of treasury shares				(346)	(346)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(0)	1,502	(346)	1,155
Balance at end of current period	3,995	0	23,305	(354)	26,946

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	1,031	(51)	(7)	(137)	834	16	1,572	28,213
Changes of items during period								
Dividends of surplus								(276)
Profit attributable to owners of parent								1,778
Capital increase of consolidated subsidiaries								(10)
Purchase of shares of consolidated subsidiaries								9
Purchase of treasury shares								(346)
Net changes of items other than shareholders' equity	(462)	15	(81)	50	(478)	(7)	671	185
Total changes of items during period	(462)	15	(81)	50	(478)	(7)	671	1,341
Balance at end of current period	568	(35)	(88)	(87)	356	8	2,244	29,555

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,995	0	23,305	(354)	26,946
Changes of items during period					
Dividends of surplus			(535)		(535)
Profit attributable to owners of parent			1,448		1,448
Capital increase of consolidated subsidiaries					–
Purchase of shares of consolidated subsidiaries		(0)	(59)		(59)
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(0)	853	(0)	852
Balance at end of current period	3,995	–	24,158	(354)	27,799

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	568	(35)	(88)	(87)	356	8	2,244	29,555
Changes of items during period								
Dividends of surplus								(535)
Profit attributable to owners of parent								1,448
Capital increase of consolidated subsidiaries								–
Purchase of shares of consolidated subsidiaries								(59)
Purchase of treasury shares								(0)
Net changes of items other than shareholders' equity	(237)	6	52	38	(139)	(0)	1,391	1,251
Total changes of items during period	(237)	6	52	38	(139)	(0)	1,391	2,104
Balance at end of current period	331	(29)	(36)	(49)	217	7	3,635	31,660

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	2,831	2,684
Depreciation	2,030	2,831
Amortization of deferred assets	100	227
Amortization of goodwill	–	134
Gain on bargain purchase	–	(52)
Impairment loss	24	9
Loss (gain) on sales of shares of subsidiaries and associates	(564)	–
Loss (gain) on sales of investment securities	(764)	(703)
Increase (decrease) in allowance for doubtful accounts	(13)	(121)
Increase (decrease) in provision for bonuses	(464)	12
Increase (decrease) in provision for directors' bonuses	5	(12)
Increase (decrease) in net defined benefit liability	112	75
Increase (decrease) in provision for loss on order received	(91)	42
Increase (decrease) in provision for contingent loss	(1,279)	–
Increase (decrease) in provision for shareholder benefit program	–	9
Interest and dividend income	(73)	(143)
Interest expenses	1,240	1,423
Foreign exchange losses (gains)	1	2
Loss (gain) on sales and retirement of non-current assets	63	–
Loss (gain) on liquidation of subsidiaries	–	(38)
Loss (gain) on step acquisitions	–	(473)
Share of loss (profit) of entities accounted for using equity method	(42)	(15)
Decrease (increase) in notes and accounts receivable - trade	(1,095)	(1,187)
Decrease (increase) in inventories	(372)	1,281
Increase (decrease) in notes and accounts payable - trade	(1,170)	(1,552)
Decrease/increase in assets/liabilities for margin transaction related to securities business	(425)	–
Decrease (increase) in trading products-assets (liabilities) related to securities business	205	–
Increase (decrease) in deposits received related to securities business	1,117	–
Decrease (increase) in lease receivables	61	69
Other, net	(775)	(1,665)
Subtotal	661	2,839
Interest and dividend income received	96	143
Interest expenses paid	(1,298)	(1,433)
Income taxes paid	(1,365)	(695)
Net cash provided by (used in) operating activities	(1,906)	853

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from investing activities		
Decrease (increase) in time deposits and other	(4,564)	585
Purchase of property, plant and equipment	(6,864)	(21,744)
Proceeds from sales of property, plant and equipment	10	3
Purchase of intangible assets	(97)	(565)
Payments for deferred assets	(186)	(1,226)
Purchase of investment securities	(2,635)	(3,719)
Proceeds from sales of investment securities	1,327	4,734
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,725)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	394	–
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	4,329	161
Payments of loans receivable	(35)	(26)
Collection of loans receivable	40	36
Other, net	(149)	(2,126)
Net cash provided by (used in) investing activities	(8,431)	(25,614)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	2,963	(1,034)
Proceeds from long-term loans payable	15,856	39,268
Repayments of long-term loans payable	(5,709)	(14,731)
Proceeds from issuance of bonds	11,962	8,221
Redemption of bonds	(11,658)	(11,737)
Repayments of lease obligations	(531)	(779)
Proceeds from sales and leasebacks	391	528
Purchase of treasury shares	(346)	(0)
Cash dividends paid	(278)	(532)
Dividends paid to non-controlling interests	(4)	–
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(62)	(59)
Proceeds from share issuance to non-controlling shareholders	779	1,435
Repayments to non-controlling shareholders	(206)	(921)
Net cash provided by (used in) financing activities	13,154	19,657
Effect of exchange rate change on cash and cash equivalents	(41)	15
Net increase (decrease) in cash and cash equivalents	2,774	(5,087)
Cash and cash equivalents at beginning of period	19,762	22,537
Cash and cash equivalents at end of period	22,537	17,449

(5) Notes to Consolidated Financial Statements

(Notes relating to the assumptions of the going concern)

No items to report.

(Changes in presentation)

(Consolidated statements of Income)

During the previous fiscal year, “rent expenses” was included in “other” under “selling, general and administrative expenses.” However, it has been presented separately from the fiscal year under review because the amount has exceeded 10% of the total amount of non-operating income. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥9,166 million that was presented as “other” under “selling, general and administrative expenses” in the consolidated statements of income for the previous fiscal year has been reclassified as “rent expenses” of ¥1,700 million and “other” of ¥7,466 million.

During the previous fiscal year, “amortization of business commencement expenses” was included in “other” under “non-operating expenses.” However, it has been presented separately from the fiscal year under review because the amount has exceeded 10% of the total amount of non-operating income. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥257 million that was presented as “other” under “non-operating expenses” in the consolidated statements of income for the previous fiscal year has been reclassified as “amortization of business commencement expenses” of ¥100 million and “other” of ¥156 million.

(Segment Information)

[Segment Information]

1. Summary of reportable segments

(1) Method for determining reportable segments and details of products and services associated with each reportable segment

The Group’s reportable segments are components of the Group with separate financial information that is evaluated regularly by the Board of Directors to decide how to allocate resources and assess performance.

As the holding company, the Company is responsible for the Group’s management strategy, business management and related activities. Each operating company develops business strategies for Japan and overseas related to their respective area of responsibility in the green infrastructure business and works to implement coordinated business activities that leverage synergies between those strategies.

As such, the Group is divided into three separate business segments based on operating companies that are distinct management entities, which correspond to the Group’s two reportable segments: the geospatial information business and green energy business.

The geospatial information business uses aerial information in business activities to support national land management, environmental and disaster prevention businesses and the digitization of local governments. The green energy business develops and leases real estate, sells housing, and designs and constructs solar power plants. The green energy business develops, operates and manages solar power plants and engages in the power generation business.

(2) Matters related to changes in reportable segments

The name of the reportable segment that had been the “geospatial information consulting business” has changed to the “geospatial information business” as of the fiscal year under review. This change is only a change to the name of the segment, and it will not have any impact on the segment information. In addition, the financial service business that had been included as a reportable segment has been excluded as a reportable segment and included as “other” because its quantitative importance was low due to factors such as a contraction of the business scale.

As a result, the Group’s previous three business segments – geospatial information consulting business, green energy business and financial service business – have been reclassified as two business segments – geospatial information business and green energy business. The forest revitalization business that had been included under the geospatial information consulting business for the previous fiscal year has been included under “Other.”

Segment information for the previous fiscal year has been realigned with the new segment classifications and is shown below in “3. Information for amounts of net sales, income (loss), assets and other items for each reportable segment.”

2. Methods of measurement for the amounts of net sales, profit (loss), assets and other items for each reportable segment

The accounting policies for each reportable segment are generally consistent with those of consolidated financial statements.

The figures for profit (loss) for each reportable segment are based on operating profit (loss). Intersegment net sales or transfers are based on the same transaction terms as those commonly used for external customers.

3. Information for amounts of net sales, profit (loss), assets and other items for each reportable segment

Fiscal year under review (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segment			Other*1	Total	Adjustment*2	Amount in consolidated financial statements *3
	Geospatial information business	Green energy business	Total				
Net sales Sales to external customers	48,040	24,596	72,637	680	73,318	–	73,318
Intersegment nets sales or transfers	46	920	967	71	1,038	(1,038)	–
Total	48,087	25,517	73,604	752	74,357	(1,038)	73,318
Segment profit (loss)	498	2,961	3,460	(306)	3,153	–	3,153
Segment assets	41,844	102,259	144,103	2,534	146,637	8,483	155,121
Other items Depreciation	515	2,274	2,789	42	2,831	–	2,831
Increase in property, plant and equipment and intangible assets	544	22,388	22,933	293	23,227	–	23,227

(Notes) 1. The "other" segment includes operations not incorporated in reportable business segments, such as investment advisory services and the forest revitalization business.

2. Adjustments include the following items:

(1) Adjustment of segment loss refers to elimination of intersegment transactions.

(2) Adjustment of segment assets refers to Companywide assets, primarily cash and deposits and investment securities not allocated to any reportable segment.

3. Segment profit (loss) is adjusted with reported operating profit on the consolidated statements of income.

(Per share information)

(Yen)

	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Net assets per share	1,020.10	1,046.81
Earnings per share	65.87	54.12
Diluted earnings per share	–	–

(Notes) 1. Diluted earnings per share for the fiscal year ended March 31, 2017 and the fiscal year ended March 31, 2018 are not shown because there were no potential shares that have dilutive effects.

2. Amounts for earnings per share and diluted earnings per share are calculated based on the following items.

Item	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	1,778	1,448
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common shares (Millions of yen)	1,778	1,448
Average number of common shares during the fiscal year (shares)	27,004,900	26,764,606
Diluted earnings per share		
Adjusted profit attributable to owners of parent (Millions of yen)	–	–
Increase in number of common shares (shares)	–	–
(Of which, subscription rights to shares) (shares)	–	–
Summary of residual securities not included in calculations of diluted earnings per share due to no dilutive effect	Two types of subscription rights to shares (number of subscription rights to shares: 6,290) 629,000 common shares	Two types of subscription rights to shares (number of subscription rights to shares: 5,930) 593,000 common shares

3. Net assets per share is calculated based on the following items.

Item	As of March 31, 2017	As of March 31, 2018
Total net assets (Millions of yen)	29,555	31,660
Amounts deducted from total net assets (Millions of yen)	2,252	3,643
(Of which, subscription rights to shares) (Millions of yen)	(8)	(7)
(Of which, non-controlling interests) (Millions of yen)	(2,244)	(3,635)
Net assets related to common stock at end of period (Millions of yen)	27,303	28,016
Number of common shares at end of period used to calculate net assets per share (shares)	26,765,075	26,764,005

(Notes on the subsequent events)

(Completion of share acquisition with changes in subsidiaries)

The Company acquired all of the shares of Xacti Holdings, Ltd. on April 2, 2018 as announced in the “Notice Concerning Share Acquisition with Changes in Subsidiaries” (Japanese only) issued on February 14, 2018 to make Xacti Holdings a consolidated subsidiary.

(Share transfer of Japan Asia Asset Management Co., Ltd.)

Japan Asia Asset Management Co., Ltd., which is a consolidated subsidiary of the Group, approved the transfer of all issued shares of our consolidated subsidiary Japan Asia Asset Management Co., Ltd. to Ai Holding Corporation and i Securities Co., Ltd. at the Board of Directors meeting held on April 26, 2018, and a share transfer agreement was executed on the same day. For details, please refer to the Company’s press release announced on April 26, 2018 entitled “Notice Concerning Changes in a Consolidated Subsidiary (Share Transfer)” (Japanese only).

(Share acquisition of Sanyo Homes Corporation)

The Company approved the acquisition of common shares of Sanyo Homes Corporation through a tender offer at the Board of Directors meeting held April 26, 2018. For details, please refer to the Company’s press release announced on April 26, 2018 entitled “Notice Concerning Start for Tender Offer of Sanyo Homes Corporation (Security code: 1420)” (Japanese only).

4. Other

(1) Orders and Sales

(i) Orders

Orders received by each segment in the fiscal year under review are as follows.

(Millions of yen)

Segment	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)		Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)		Change	
	Order volume	Order backlog	Order volume	Order backlog	Order volume	Order backlog
Geospatial information business	44,990	11,978	46,738	13,130	1,747	1,151
Green energy business	13,872	8,198	18,991	8,400	5,118	201

(Notes)
1. Intersegment transactions have been eliminated.
2. The above amounts do not include consumption tax and other taxes.

(ii) Sales

Sales by each segment in the fiscal year under review are as follows.

Segment	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)		Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)		Change	
	Net sales (Millions of yen)	Composition ratio (%)	Net sales (Millions of yen)	Composition ratio (%)	Net sales (Millions of yen)	Year-on-year changes (%)
Geospatial information business	43,907	64.3	48,040	65.5	4,133	9.4
Green energy business	17,520	25.6	24,596	33.6	7,076	40.4
Other	6,914	10.1	680	0.9	(6,233)	(90.2)
Total	68,341	100.0	73,318	100.0	4,976	7.3

(Notes)
1. Reportable segment classifications have been changed, effective from the fiscal year under review. Figures for the previous fiscal year have been adjusted to align them with the new classifications.
2. Intersegment transactions have been eliminated.
3. The above amounts do not include consumption tax and other taxes.